

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7844
BILL NUMBER: SB 559

DATE PREPARED: Apr 7, 1999
BILL AMENDED: Apr 5, 1999

SUBJECT: Various Insurance Matters.

FISCAL ANALYST: Alan Gossard
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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill makes several changes regarding various insurance matters:

- (1) Requires a political subdivision or a state educational institution that employs a legislator to provide the same insurance and other benefits at all times.
- (2) Increases from \$4,500,000 to \$5,500,000 the amount that the Commissioner of the Department of Labor may use from the Special Employment and Training Services Fund per year.
- (3) Removes fees collected by the Commissioner associated with the Commissioner's duties as agent for service of process.
- (4) Provides that an officer, employee, or representative of a travel agency who negotiates or solicits insurance only incidental to the purchase of an air transportation ticket is exempt from the insurance agent continuing education requirements.
- (5) Requires an insurance agent who is licensed after January 1, 2001, to be licensed and serve as an "associate insurance agent".
- (6) Provides that various insurers must appoint an individual or corporate resident of Indiana, or an authorized Indiana insurer, as the insurer's agent for service of process.
- (7) Makes certain changes to the composition of the board of directors of the Indiana Insurance Guaranty Association.
- (8) Removes the requirement that information concerning premiums and losses, jury awards, court awards, and negotiated settlements be filed with the annual financial statement of insurers selling certain lines of insurance.
- (9) Changes the requirements for annual information filing with the National Association of Insurance Commissioners (NAIC) from diskette to electronic filings.
- (10) Provides for the treatment of nonconforming policies.
- (11) Defines "exempt commercial policyholder" and "risk manager" and provides for the deregulation of exempt commercial policyholder insurance transactions.
- (12) Adds certain provisions related to reinsurance.
- (13) Provides that a named insured on a motor vehicle policy may reject uninsured and underinsured

coverage for all named insured's.

(14) Provides that the Commissioner will continue as agent of service of process until a different designation is received by the Commissioner.

(15) Makes certain changes to the preexisting conditions requirements for certain group insurers.

(16) Makes conforming amendments.

(17) Establishes an interim study committee to study the Indiana Comprehensive Health Insurance Association.

Effective Date: (Amended) Upon Passage; July 1, 1999, July 1, 2000; January 1, 2001.

Explanation of State Expenditures: (Revised) (1) This bill requires political subdivisions and state educational institutions to provide legislators the same insurance and other benefits while the legislator is serving in the General Assembly as are provided to the legislator at other times. This would imply some additional costs to the affected political subdivision or state educational institution. It is not known how many legislators and institutions this would affect. However, the total costs should be minimal.

(2) The bill also increases from \$4,500,000 to \$5,500,000 the amount that the Commissioner of the Department of Labor may use from the Special Employment and Training Services Fund per year. These funds can be spent for training and counseling assistance and training provided to participants in joint labor and management apprenticeship programs. The balance of the fund as of 4/6/99 was \$14,158,877. The FY98 revenue into the fund was \$3,729,043.

(5) This bill requires an insurance agent who is licensed after January 1, 2001, to be licensed and serve as an "associate insurance agent". According to the Department of Insurance, there would be computer system reprogramming required. Anticipated expenditures are estimated to be less than \$20,000.

(17) This bill directs the Legislative Council to establish an interim study committee to study the Indiana Comprehensive Health Insurance Association during the interim of 1999. Under current Legislative Council resolution, interim study committees are allocated \$9,000.

Explanation of State Revenues: (Revised) (11) This bill exempts certain insurers from filing rate and form information with the Department of Insurance. Exempt companies will still pay the \$35 filing fee with the Department of Insurance. These provisions should have little or no impact on fee revenue to the Department of Insurance.

Explanation of Local Expenditures: (Revised) (1) See Explanation of State Expenditures, above, regarding additional costs to political subdivisions. Political subdivisions include school corporations, library districts, local housing authorities, fire protection districts, public transportation corporations, local building authorities, local hospital authorities or corporations, local airport authorities, special service districts, or other separate local governmental entities.

(15) This bill also makes certain changes to the preexisting conditions requirements for certain group insurers. If the additional latitude allowed insurance companies in including preexisting condition exclusions and limitations in their group insurance policies were to result in reduced premiums, local governments and school corporations might face reduced costs in the provision of benefits to employees. However, the effect on costs would be minimal.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance; Department of Labor; State Educational Institutions; Legislative Services Agency.

Local Agencies Affected: Political Subdivisions.

Information Sources: Pat Holden, American Insurance Institute, (847) 470-1070.
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Liz Carroll, Indiana Department of Insurance, 232-2406.